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THE EFFECT OF INSTITUTIONAL OWNERSHIP, LEVERAGE AND PROFITABILITY ON EARNINGS MANAGEMENT

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ABSTRACT

This study aims to determine the effect of Institutional Ownership, Leverage and Profitability on Earnings Management in Consumer non-Cyclical Food and Beverage Companies. The population used in this study are 71 Food and Beverage Companies Listed on the Indonesia Stock Exchange. The sample selection was carried out using the purposive sampling method so 39 sample companies are obtained with 195 observation data. The data analysis technique used was multiple linear regression analysis using SPSS software. The result of this study indicate that Institutional Ownership and DAR have no significant effect on Earnings Management, meanwhile ROA have a significant effect on Earnings Management.

Keywords : Institutional Ownership; DAR; ROA; Earnings Management

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INTRODUCTION

Financial statements are the result of operational activities carried out by the company to provide information to external parties as a form of corporate accountability to external parties who use it as a source of information, especially for investors. In general, profit information is the most important part of the financial statements that are the main concern of many external parties such as investors and creditors. External parties will tend to choose to invest funds in companies that have a high level of profit and have an expected increase in profits for maximum results (Hardirmaningrum et al., 2021). This creates a situation where profits are often the target of management engineering to be manipulated through profit management practices to make it appear that the company's performance looks good financially.

Profit management itself is a managerial activity to influence financial statements that can be done by manipulating company financial data or information, as well as by choosing accounting methods that are accepted in general accounting principles (Sari &; Susilowati, 2021). Profit management occurs when managers use their judgment in financial reporting to amend financial statements with the aim of providing convincing results for stakeholders regarding company performance or influencing contractual results that depend on reported figures (Lestari &; Advenda, 2022).

In the international economy, the adverse effects of profit management have arguably destroyed the global network of Arthur Andersson &. Co. KAP Arthur Andersson &Co. efforts made by KAP Arthur Andersson &Co in the United States to legalize or hide the misappropriation committed by its clients turned out to have a counter-impact by not only tearing down the KAP in his country, but also its affiliates around the world. This major financial scandal makes the public lose confidence in the credibility of financial statements (Sulistyanto, 2018).

The case that occurred in Indonesia in 2019, dragged the name of PT. Tiga Pilar Sejahtera Food Tbk (AISA) related to allegations of inflated funds by the old management in the 2017 financial statements. In the report on the results of the investigation provided by Ernst &; Young Indonesia (EY) to the new management of AISA dated March 12, 2019, it was stated that there were different financial records in internal data with the records used by financial auditors in the process of auditing the 2017 financial statements, then there were several important points, namely, first, there were allegations of bubbles that occurred in accounts receivable AISA group's business, inventory and fixed assets worth Rp 4 trillion. In addition, revenue worth IDR 662 billion and other bubbles worth IDR 329 billion were also found in the EBITDA item (earnings before interest, taxes, depreciation and amortization). Another finding was the flow of funds of IDR 1.78 trillion through various schemes from the AISA Group to parties affiliated with the old management using loan disbursement, time deposit disbursement, fund transfer in bank accounts, and expense financing of affiliated parties by the Group AISA. Ernst & Young also found that there are relationships and transactions with affiliated parties that do not use adequate disclosure mechanisms to *relevant stakeholders* and potentially violate Bapepam-LK's Decision on affiliate transactions and conflicts of interest in certain transactions. The fundamental thing about the audit report is the existence of different financial records in internal data from the records used by financial auditors in the process of auditing the 2017 financial statements. Not to mention that Ernst &Young based on the new management information that AISA's old management made different books for external purposes, for example external audit interests. At the trial in 2021, two former directors of PT Tiga Pilar Sejahtera Food Tbk were found guilty of manipulating the 2017 financial statements with the aim of scraping the company's stock price. This action is also considered to provide losses to Tiga Pilar shareholders and violates aspects of protection for capital market investors (www.cnbcindonesia).

There are several factors that affect profit management including institutional ownership of company shares, leverage, and company profitability. Institutional Ownership is share ownership owned by an agency or institution (Fionita &; Fitra, 2021). Within companies, supervisory functions can be achieved through institutional investors, as institutional investors tend to have more authority to supervise and management control in order to achieve the interests of shareholders (Wimelda &; Chandra, 2018). Research on the effect of Institutional Ownership on profit management conducted by (Hendi &; Erika, 2022) shows that institutional ownership has a significant positive effect on profit management behavior. Meanwhile, research conducted by (Zakia et al., 2019) shows that institutional ownership has no effect on profit management.

Leverage is a rating ratio for investors in looking at the capabilities and risks of a business entity. Agustia (2013) in (Arlita et al., 2019) states that the *leverage* ratio describes the source of operating funds used by the company and shows the risks faced by the company. To measure leverage, one of them uses *the Debt to Total Assets Ratio* (DAR). This ratio is used to measure the amount of company assets financed by debt. Research on the effect of *Leverage* on Profit

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management carried out by (Wimelda &; Chandra, 2018) proves that *Leverage* has a significant positive effect on profit management. Where when the company's *leverage* is high, management tends to do profit management to reduce the company's risk in the eyes of investors. Different results were found by research (Dharma et al., 2021) and (Kusumawardana &; Haryanto, 2019) where *Leverage* has noeffect on profit management.

Profitability is the company's ability to generate profits in a certain period (Chaniago &; Trisnawati, 2021). Profitability will be a long-term reference for investors regarding the expected rate of return in a certain period. The profitability ratio used in this study is the *Return On Assets Ratio* (ROA). The return on assets is a profitability ratio that assesses the percentage of profit obtained by the company related to the total assets it owns, in other words showing the level of efficiency of the company in managing assets for profit. Research on the effect of profitability on profit management conducted by (Hardirmaningrum et al., 2021) proves that profitability has a significant positive effect against profit management. In contrast to research conducted by (Agustia &; Suryani, 2018) and (Wowor et al., 2021) shows that profitability has no effect on profit management. This can happen becauseinvestors tend to ignore *existing Return on Assets* information.

The purpose of this study is to determine the effect of institutional ownership, leverage and profitability on Profit Management in primary consumer goods companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange (IDX) in 2017-2021.

LITERATURE REVIEW

Agency Theory

(Jensen &; Meckling, 1976) explain agency relations as a relationship that occurs between company management as agents and company owners as principals. (Wardani, 2018) in (Bahri &; Arrosyid, 2021) stated that the gap in interest between shareholders as owners and management raises conflicts of interest. This problem arises because there is an information asymmetry and conflicts of interest that occur between principals and agents encourage agents to present untrue information to principals, especially when it comes to measuring agent performance.

Signalling Theory

Signalling Theory was first proposed by Spence (1973) which explains that the sender (owner of information) provides a signal or signal in the form of information that reflects the condition of a company that is beneficial to the recipient (investor). According to (Owolabi &; Inyang, 2013) *Signaling theory* can also be seen from the perspective of business risk, where higher business risks are considered negative by investors so that they affect their desire to invest. Conversely, a high opportunity for investment opportunities will be considered as a positive signal that affects investors' assessment of the company. This positive signal indicates that the company can improve its financial performance and company value in the future.

Profit Management

(Sulistyanto, 2018) in his book entitled *Profit Management: Empirical Theory and Model,* states that profit management is a condition where management intervenes in the process of preparing financial statements for external parties by means of level, raise, and decrease profits. Profit management occurs when there is pressure to produce good financial statements to be presented to stakeholders in order to meet the desired expectations of the company.

Patterns of profit management behavior can occur in four forms, namely: (1) *Taking a Bath*, (2) Income minimization, (3) *Income Maximization,* and (4) *Income Smoothing*. Under the condition that profit efforts are carried out without violating generally used accounting standards , only by replacing certain accounting methods and procedures can the value of the financial component be set to the liking of the company's managers. This may be done by the manager as a game of choosing a method that suits his needs and is disclosed in the financial statements. For example, profit increases have a positive relationship with stock price movements company investors , while the pattern of decreasing profits can be done to reducetax payment obligations (Sulistyanto, 2018).

Profit management is carried out in two different types, namely real profit management and accrual profit management. (Sa'diyah &; Hermanto, 2017) Explain that real profit management is a profit manipulation technique carried out by management through careful company activities during the accounting period. Real profit management activities start from normal operational practices such as operating cash flow , production costs and discretionary costs. While the accrual practice is carried out by playing with the accrual components in the financial statements , because these components are parts that are easy to play with according to the wishes of the party who records and preparation

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of financial statements. Accrual is the difference between net cash inflows from the company's operating results with profits reported in the income statement , which is
discretionary accruals and *non-discretionary accruals.*

Institutional Ownership
Institutional Ownership is part of company shares owned by institutions or institutions such as insurance companies, banks, investment companies, or other companies (Lestari &; Advenda, 2022).

Leverage (DAR)
Leverage is a rating ratio for investors in looking at the capabilities and risks of a entity. The *leverage* ratio shows the proportion of the use of debt to finance a company's investments. *Leverage* is an indication of the efficiency of the company's business activities, the greater the *leverage* ratio, the higher the value of the company's debt. This shows that the company makes large long-term loans and can increase the risk of bankruptcy (Sari &; Susilowati, 2021).

Profitability (ROA)
Profitability is the ability of a company to make a profit in one certain period. The profitability ratio shows how maximally the company uses its assets to generate profits from the company's operating activities. Company profitability contains important information for external parties because if profitability is high, the company's performance can be said to be good. However , if the company's profitability is low, then the company's performance will be said to be bad and also at the same time affect the company's management performance appraisal (Purnama, 2017).

Influence Between Variables and Hypotheses
The Effect of Institutional Ownership on Profit Management
Institutional ownership has an important meaning in monitoring company management because institutional ownership is owned by external parties so that it can be more optimal in the internal control function. A high level of institutional ownership will lead to greater supervisory efforts from institutional investors so as to reduce the opportunistic behavior of managers (Purnama, 2017). This assumption shows that the existence of institutional investors who are more careful in the use of financial statements can suppress the motivation of management in doing so Profit management practices , thus the greater the percentage of share ownership by institutions, the possibility of profit management canbe minimized.
H1 : Institutional Ownership has a significant effect on Profit Management.

The Effect of *Leverage (DAR)* on Profit Management
To increase capital, the company will enter into a debt agreement with creditors or investors. Leverage can be a benchmark in earnings management practices. When leverage is high it will result in pressure and company risk also increasing. The higher the DAR value of a company, it indicates the greater the number of assets financed by debt, where the use of too much debt in financing operational activities is considered unhealthy because it can reduce profits through the emergence of interest expenses. Conversely, the smaller the DAR ratio value, the better the company's ability to survive in difficult conditions. The higher the leverage ratio, the higher the company's risk in paying its obligations (Purnama, 2017). To avoid losses, investors usually choose companies with low leverage. This situation will encourage managers to carry out earnings management so that the financial conditions in the financial statements look good (Chaniago & Trisnawati, 2021).
H2: DAR has a significant effect on Profit Management

The Effect of Profitability (ROA) on Profit Management
According to (Sari &; Susilowati, 2021), the relationship between profitability and profit management occurs because when the profitability of a company is small, this will trigger the company to carry out profit management in order to maintain its corporate image, Similarly, when the company experiences considerable losses or experiences a fantastic surge in profits in the next period of time, it can be indicated that There has been profit management. Where profit targets can be the biggest motivation for management tomeet investor expectations.
H3 : ROA has a significant effect on Profit Management.

Frame of Mind

ISSN: 2828-7975

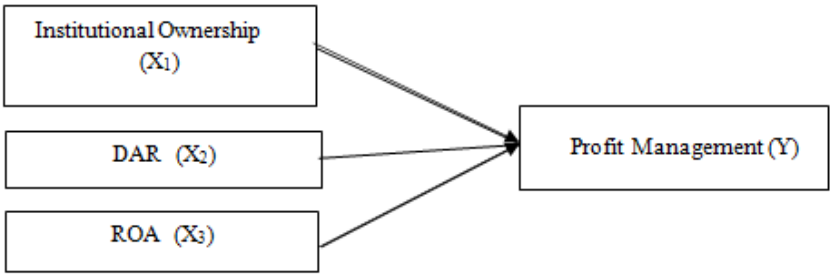

Figure 1. Frame of Mind

METHODOLOGY

Population and Sample

The population in this study is companies in the Primary Consumer Goods Sector, Food and Beverage Sub-Sector listed on the Indonesia Stock Exchange for the 2017-2021 period as many as 71 company. A total of 39 companies were obtained as samples through *purposive* sampling with consideration of the following sampling criteria: (1) Food and beverage sub-sector companies listed on the IDX until 2021 and listed at least before 2017, (2) companies publish financial statements and annual reportsPeriodically during 2017-2021, (3) companies that present their financial statements in rupiah.

Operational Research Variables

Table 1. Operational Research Variables

Variable	Formula	Measurement Scale
Profit Management	$DAIT = \frac{TAIT}{A_{it-1}} - NDIT$ source: (Suyono, 2017)	Ratio
Institutional Ownership	$KI = \frac{\text{Number of shares of institutional investors}}{\text{Total Outstanding Share Capital}} \times 100\%$ source: (Hendi &; Erika, 2022)	Ratio
Leverage	$DAR = \frac{\text{Total Debt}}{\text{Total Assets}} \times 100\%$ source: (Hendi &; Erika, 2022)	Ratio
Profitability	$ROA = \frac{\text{Net profit after tax}}{\text{Total assets}} \times 100\%$ source: (Hardirmaningrum et al., 2021)	Ratio

Source: Past Research Collection , 2022

Data Analysis Techniques

The data analysis method uses quantitative analysis with secondary data obtained from the official website of the Indonesia Stock Exchange, namely IDX and the websites of related companies that are the research samples. The data analysis technique carried out in the study was multiple linear regression with the SPSS 21 program , the test stages were asfollows:

Descriptive Analysis

Descriptive analysis is statistical for analyzing data by describing or describing the collected data without making generally accepted conclusions or generalizations. This analysis is aimed at providing

ISSN: 2828-7975

an overview of the observed research variables. The picture in question includes minimum, maximum, mean and standard deviation (Ghozali,2013).

Classical Assumption Test Normality

Normality Test

Normality Test is a test conducted with the aim of assessing the distribution of a group of data or variables, whether the distribution of data is normally distributed or not. The normality test in this study used the Kolmogorov-Smirnov test. Where if the significance value is greater than or equal to 0.05, it means that the data is normally distributed, while if the significance value is smaller or equal to 0.05, it indicates that the data is not normally distributed (Chaniago & ; Trisnawati, 2021).

Multicollinearity Test

The Multicollinearity Test aims to test whether in the regression model there is a correlation between independent variables. The multicollinearity test can be done by looking at the *Tolerance* value and the *Variance Inflation Factor* (VIF) value with criteria if the tolerance value > 0.1 and the value VIF < 10, then there are no symptoms of multicollinearity. Meanwhile, if the tolerance value < 0.1 and the VIF value > 10, it is concluded that symptoms of multicollinearity occur.

Heterokedasticity Test

The Heterokedasticity test aims to determine whether in a regression model there is an inequality of variance from observational residuals to other observations. The heterokedasticity test is carried out with a *scatterplot* graph , where if the points spread above or below the zero on the Y axis, it can be concluded that the regression model does not contain heterokedasticity.

Autocorrelation Test

According to (Ghozali, 2013) the Autocorrelation Test is used to test whether in the regression model there is a correlation between confounding errors in period t-1 (previous period) and period t (current period). Autocorrelation tests are useful to determine whether there is a strong relationship both positive and negative between data on research variables. The autocorrelation test in this study uses the Durbin-Watson test on the basis of decision making if the DW value < DL then there is an autocorrelation, and if the DW value
> DU then there is no autocorrelation.

Coefficient of Determination Test

The coefficient of determination test is used to determine the percentage or how much contribution the influence exerted by the independent variable together to the dependent variable. Represented by column R2 in the SPSS program data analysis, the value of the coefficient of determination is indicated by a number between 0 and 1. If the value of the coefficient is close to 1, it means that the independent variable provides almost all the information needed to predict the dependent variable. However, if the R2 value is getting smaller, it means that the ability of independent variables to explain the dependent variable is quite limited (Ghozali, 2016).

Multiple Linear Regression Analysis

Regression analysis is used to measure how much influence there is between the independent variable and the dependent variable. Multiple linear regression is a regression model that involves more than one independent variable. Multiple linear regression analysis is carried out to determine the direction and how much influence the independent variable has on the dependent variable (Ghozali, 2018). Systematically, the multiple regression equation is as follows:

$$ML = a + \beta 1KI + \beta 2DAR + \beta 3ROA + e$$

ML = Profit Management
α = Constant
KI = Institutional Ownership
DAR = *Leverage*
ROA = Profitability
β = Regression Coefficiente =
Error

ISSN: 2828-7975

Simultaneous Test (Test F)
Simultaneous tests are performed to find out whether all independent variables simultaneously have a significant influence on the dependent variable. Test F is performed to see the effect of all independent variables together on the dependent variable. This test decision making is done by looking at the F value contained in the ANOVA table, if the significance level used is 0.05, then the F test provisions are as follows (Ghozali, 2016): (1) if the significance value of F < 0.05 then H0 rejected and H1 accepted. This means that all independent variables have a significant influence on the dependent variable. (2) If the significant value of F > 0.05 then H0 is accepted and H1 is rejected. This means that all independent variables have no significant influence on the dependent variable.

Hypothesis Test (Test t)
The t-test is used to analyze the effect of each independent variable on the dependent variable individually/partially. Decision making is done by looking at the significance value in the *Coefficients* table. Using a significance value of 5% or 0.05, If the significance value of the t-test > 0.05 then H0 is accepted and Ha is rejected. This means that there is no influence between the independent variable and the dependent variable. This shows that an independent variable is not a significant explanatory of the dependent variable. Vice versa, If the significance value of the t test < 0.05 then H0 is rejected and Ha is accepted. This means that there is an influence between the independent variable and the dependent variable.

RESULTS AND DISCUSSION

Descriptive Analysis
Table 2. Descriptive Statistical Analysis

Information	N	Minimum	Maximum	Mean	Std. Deviation
Institutional Ownership	195	0.01	0.97	0.6519	0.20196
DAR	195	0.01	2.90	0.5304	0.36474
ROA	195	-2.64	0.61	0.0386	0.23329
Profit Management	195	-0.04	0.02	0.0007	0.00617
Valid N (listwise)	195				

Source: Processed Data

Based on the results of descriptive statistical analysis in Table 1, it is known that the amount of research data is as much as N = 195, from 39 companies with five years of conservation. The Institutional Ownership (IP) variable has a minimum value of 0.01 and a maximum value of 0.97, with an average / *mean* of 0.6519 and a standard deviation of 0.20196. The variable DAR, has a minimum value of 0.01 and a maximum value of 2.90, with an average / *mean* of 0.5304 and a standard deviation of 0.36474. The *variable Return on Assets* (ROA) has a minimum value of -2.64 and a maximum value of 0.61, with an average / *mean* of 0.0386 and a standard deviation of 0.23329. The Profit Management variable has a minimum value of
-0.04 and a maximum value of 0.02, with an average of 0.0007 and a standard deviation *of* 0.00617.

Classical Asumption Test
Normality Test
Table 3. Normality Test Results

		Unstandardized Residual
N		195
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.00563012
Most Extreme Differences	Absolute	.118
	Positive	.118
	Negative	-.097
Kolmogorov-Smirnov Z		1.653
Asymp. Sig. (2-tailed)		.008

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a. Test distribution is Normal.
b. Calculated from data.

Source: Print Out SPSS

Based on the results of the normality test using the Kolmogorov-Smirnov Test in table 2 shows a significant value of 0.008 which is smaller than 0.05 which means that the variable in the test has the distribution of data is abnormal and the assumption of normality is not met. So *Casewise Diagnostic* was carried out to eliminate outlier data, as many as 7 data from 195 data tested in the study.

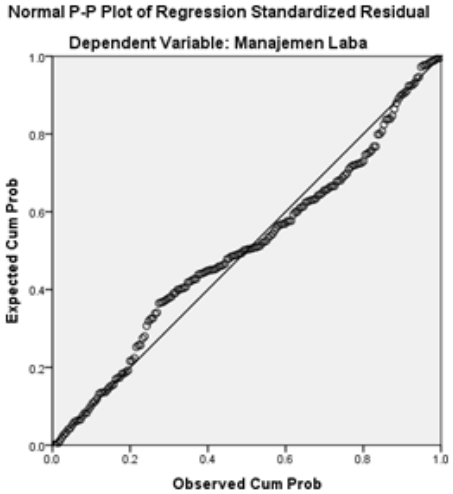
Table 4. Normality Test Results After Outlier

		Unstandardized Residual
N		188
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.00424687
Most Extreme Differences	Absolute	.092
	Positive	.071
	Negative	-.092
Kolmogorov-Smirnov Z		1.266
Asymp. Sig. (2-tailed)		.081

a. Test distribution is Normal.
b. Calculated from data.

Source: Print Out SPSS

The results of the second normality test with the amount of conservation data of 188 data after being outliers, resulted in an Asymp.Sig value of 0.081 so that it can be concluded that the value greater than 0.05. Then the assumption of normality has been fulfilled. This result can be supported with *probability plot* graphs. It can be seen that the test results show that the dots have spread around the diagonal line and the spread follows the direction of the diagonal line so that it can be said that the data has been normally distributed.



Multicollinearity Test

Table 5. Multicollinearity Test Results

	Type	Collinearity Statistics		Information
		Tolerance	VIF	
1	(Constant)			
	KI	0.903	1.107	No Multicollinearity
	DAR	0.614	1.628	No Multicollinearity
	ROA	0.661	1.512	No Multicollinearity

Source: Print Out SPSS

Based on the results of multicollinearity testing in the table above, it can be seen that the tolerance value of the research variable > 0.1 with a VIF value of < 10 which indicates that there is no

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multicollinearity in This research model. It can be concluded that this regression model does not occur multicollinearity between independent variables.

Heterokedasticity Test

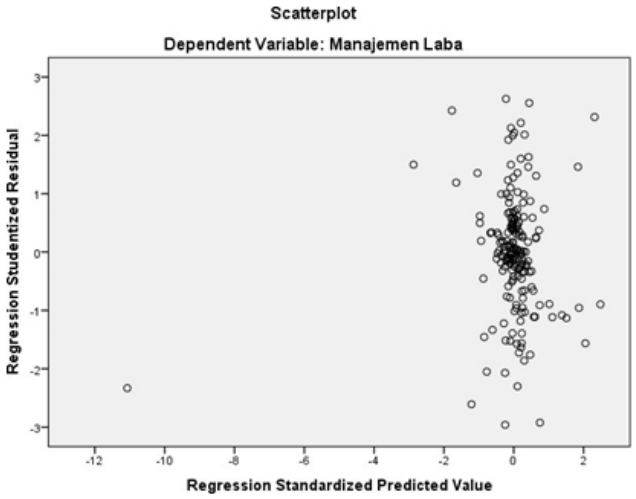

Figure 3. Heterokedasticity Test Results

From the scatterplot image above, it can be seen that the points spread around zero on the vertical axis and do not form a certain pattern, so it can be concluded that in the regression model there is no heterokedasticity problem.

Autocorrelation Test

Table 6. Autocorrelation Test Results

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.548[a]	0.300	0.289	0.00428	1.855

a. Predictors: (Constant), ROA, KI, DAR
b. Dependent Variable: Profit Management
Source: Print Out SPSS

Based on table 5 above, it is known that the results of Durbin-Watson (DW) analysis are 1,855. With k = 3 variables and a significance level of 0.05 from a total of 188 conservation data , a dL value of 1.7290 and a dU value of 1.7938 were obtained. So dU 1.7938 < dW 1.855 < 4-dU 2.2062, it can be concluded thatthe regression model in this study did not occur autocorrelation.

Coefficient of Determination Test

Table 7. Coefficient of Determination Test Results

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.548[a]	0.300	0.289	0.00428

a. Predictors: (Constant), ROA, KI, DAR
b. Dependent Variable: Profit Management
Source: Print Out SPSS

Based on the table above, the value of the coefficient of determination shown in the *Adjusted R Square* value is 0.289, this shows that the variables Institutional Ownership, DAR, and ROA contribute only 28.9 % to the variable of profit management. While the remaining 71.1% was influenced by other variables that were not used in this study.

Multiple Linear Regression Analysis

Table 8. Multiple Linear Regression Analysis Results

Type	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std.	Beta		

ISSN: 2828-7975

			Error			
1	(Constant)	-.002	.001		-1.348	0.179
	KI	.002	.002	.096	1.478	0.141
	DAR	.001	.001	.065	0.829	0.408
	ROA	.012	.002	.561	7.402	0.000

a. Dependent Variable: Profit Management
Source: Print Out SPSS

Based on the regression results in table 8, the regression model equation can be obtained as follows:

Y = -0.002 + 0.002 KI + 0.001 DAR + 0.012 ROA

So several things can be explained, namely: (1) The constant value is -0.002, which means that if Institutional Ownership, Leverage and Profitability are considered constant or have not changed (a value of 0), then the Profit Management value is -0.002. (2) The multiple linear regression coefficient value for Institutional Ownership is 0.002, which means that if the other independent variables remain constant and Institutional Ownership increases by 1 unit, then Profit Management will experience an increase of 0.002 units. A positive coefficient indicates a positive relationship, where high institutional ownership will increase earnings management. (3) The value of the DAR multiple linear regression coefficient is 0.001, which means that if the other independent variables remain constant and Leverage increases by 1 unit, then Profit Management will experience an increase of 0.001 units. (4) The ROA multiple linear regression coefficient value is 0.012, which means that if the other independent variables remain constant and Profitability increases by 1 unit, then Profit Management will experience an increase of 0.012 units.

Simultaneous Test (Test F)
Table 9. F Test Results

Type	Sum of Squares	Df	Mean Square	F	Sig.
Regression	.001	3	.000	26.278	.000[b]
Residuals	.003	184	.000		
Total	.005	187			

a. Dependent Variable: Profit Management
b. Predictors: (Constant), ROA, KI, DAR
Source: Print Out SPSS

Based on the results in table 9, F is obtained count amounted to 26,278 and a significance value of 0.000. With The number of observations is 188 data (n = 188), and the research variables are 4 (K = 4) so it can be calculated denominator degree (N1) = k – 1 and degree of billing (N2) = n – k , obtained df1 = 3 and df2 = 184. Niai Ftable obtained with a significance level of 0.05 is 2.65. It can be seen that the F valuecount > Ftable (26,278 > 2.65) and significant value (Sig.) 0.000 < 0.05, the variables Institutional Ownership, Leverage, and Profitability simultaneously have a significant influence on profit management.

Type	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Conclusion
	B	Std. Error	Beta			
KI	.002	.002	.096	1.478	0.141	Insignificant
DAR	.001	.001	.065	0.829	0.408	Insignificant
ROA	.012	.002	.561	7.402	0.000	Significant

a. Dependent Variable: Profit Management
Source: Print Out SPSS

ISSN: 2828-7975

Institutional Ownership of Profit Management

The test result shows the value of tcount for Institutional Ownership is 1,478 with a significance value of 0.141. With ttable As much as 1.973, then the value of tcount 1,478 < ttable 1.973 and significance 0.141 > 0.05, It can be concluded that H1 is rejected and H0 is accepted. This shows that Institutional Ownership (X1) has nosignificant effect on Profit Management.

***DAR* to Profit Management**

Result The test shows the value of tcount for DAR it is 0.829 with a significance value of 0.408. With ttable as big as 1.973, so value tcount 0.829 < ttable 1.973 and significance 0.408 > 0.05, it can be concluded H2 rejected and H0 is accepted. This shows that *Leverage* proxied with DAR (X2) has no significant effect on Profit Management.

ROA on Profit Management

Result Testing indicates the value of tcount for ROA is 7.402 with a significance value of 0.000. With ttable As much as 1.973, then the value of tcount 7,402 > ttable 1.973 and significance 0.000 < 0.05, can be summed up H3
Accepted. This shows that Profitability proxied with ROA (X3) has a significant positive effect on Profit Management.

DISCUSSION OF RESEARCH RESULTS

The Effect of Institutional Ownership on Profit Management

The results of research related to the influence of Institutional Ownership on Profit Management show that value has no significant effect. This means that Institutional Ownership does not have a significant factor to reduce the existence of Profit Management practices. This can happen because in general institutional investors do not carry out their role effectively as investors who can supervise or monitor management performance to limit actions or policies that will have an impact on management actions profit. Institutional investors tend to carry out their role as *transient investors* (temporary owners of the company) who are more focused on profits and may not necessarily be able to increase effective monitoring of management to reduce profit management (Aryanti et al., 2017).

The results of this study are in line with research (Janrosl &; Lim, 2019) and (Pricilia & ; Susanto, 2017) which states that Institutional Ownership does not have a significant effect on Profit Management. In contrast to the research conducted by (Hendi &; Erika, 2022) with significant positive research results on the influence of Institutional Ownership on Profit Management.

The Effect of DAR on Profit Management

Agustia (2013) in (Arlita et al., 2019) states that the *leverage* ratio describes the source of operating funds used by the company and shows the risks faced by the company. The greater the risk faced by the company, the uncertainty to generate profits in the future will also increase. This shows the possible motivation for management to polish its financial statements in such a way as to describe a good and healthy company condition.

The results of research related to the effect of Leverage (DAR) on Profit Management show that value does not have a significant effect. This means that Leverage does not have a significant factor on the presence or absence of Profit Management practices. The condition of high or lower leverage does not affect the profit management activities that can occur within the company. In line with research conducted by (Elfira, 2014) states that leverage does not have a significant effect on profit management. If the company has high leverage , then the profit management actions carried out by managers will be fixed or constant, The results of this study are contrary to the research conducted by (Astuti et al., 2017) and (Fandriani &; Tunjung, 2019) which states that Leverage has a positive effect on Profit Management.

The Effect of ROA on Profit Management

Profitability is often a reference for stakeholders to assess company performance , because it is related to the company's ability to generate profits in a certain period. With the attention of large investors to profitability, management tends to do profit management to make it look better to attract investors by minimizing or maximizing profits, in order to get lower tax payment obligations or increase value his company (Hardirmaningrum et al., 2021).

The results of this research show that Profitability (ROA) has a significant effect on Profit Management. Shows that as a company's ROA increases, the opportunity for management

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motivation to carry out earnings management will also increase. The results of this research are in line with research conducted by (Purnama, 2017), (Paramitha, 2020) and (Astriah et al., 2021) which proves that Profitability has a significant positive effect on Profit Management. Research (Febria, 2020) also shows that profitability has a significant positive effect on Profit Management, where a high level of profit in a company does not prevent the possibility of Profit Management occurring. In contrast to research conducted by (Anindya & Yuyetta, 2020) and (Wowor et al., 2021) which states that Profitability has no effect on Profit Management.

CONCLUSION

Conclusion

Based on the results of the research and discussion that have been explained, several conclusions can be obtained as follows: (1) Institutional Ownership has no partial significant effect on Profit Management, (2) DAR has no partial significant effect on Profit Management, and (3) ROA has a partial effect has a significant effect on Profit Management in primary consumer goods companies in the food and beverage sub-sector listed on the IDX for the 2017-2021 period.

This study still has limitations due to data outlier problems when testing data normality which causes some data to be excluded and reduces the number of research samples. The variables used in the study also only explained about 29% to profit management, meaning most were influenced by other variables not used in the study.

Recommendation

Suggestions for further research are: (1) For companies to be able to create better internal controls, especially related to financial reporting in order to avoid earnings management that can be detrimental, as well as improve management strategies in managing finances to generate maximum profits, (2) For the investors, are expected to be more careful in making decisions so that they can consider other information besides profit information before making an investment, and (3) For future researchers to be able to conduct research by taking a wider sample coverage and examining other variables that can affect earnings management which were not used in this study.

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